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Before the  
FEDERAL COMMUNICATIONS COMMISSION  
Washington, DC 20554

FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF THE SECRETARY

In the Matter of )

Petition of American Telephone )  
and Telegraph Company for )  
Rulemaking on Universal Service )  
Fund )

RM-8408

STATEMENT

U S WEST Communications, Inc. ("U S WEST"), by its undersigned counsel, hereby submits this statement in connection with the Petition of American Telephone and Telegraph Company for Rulemaking ("Petition") on the Universal Service Fund ("USF"). In that Petition, American Telephone and Telegraph Company ("AT&T") seeks to change the method of allocating USF costs among interexchange carriers ("IXC"), on the grounds that the current method, based upon presubscribed lines, distorts AT&T's competitive position as against other IXCs. AT&T contends that an allocation method based upon revenues or minutes of use would minimize such distortion, and asks that the Federal Communications Commission ("Commission"): (a) address this issue in the upcoming USF permanent rulemaking;<sup>1</sup> and (b) adopt an interim solution, pending completion of the permanent rulemaking, that would allocate USF costs among IXCs based upon revenues rather than upon presubscribed lines.

<sup>1</sup>See In the Matter of Amendment of Part 36 of The Commission's Rules and Establishment of a Joint Board, CC Docket No. 80-286, Recommended Decision, FCC 93J-3, rel. Dec. 10, 1993, ¶ 3 ("Recommended Decision"); Report and Order, FCC 93-549, rel. Dec. 23, 1993, ¶ 1.

AT&T raises a very good point. The purpose of the USF is "to preserve and promote universal telephone service"<sup>2</sup> -- not to advance or discourage the competitive fortunes of one provider of telecommunications services over another. To the extent that any element of the current (or any future) USF mechanism places an IXC, a local exchange carrier, or any other provider at a competitive disadvantage, that element should be changed. Clearly, the USF should operate on a competitively neutral basis.

For that reason, U S WEST agrees that the Commission should address AT&T's allocation issue in the upcoming permanent rulemaking on the USF.

With respect to the question of whether the Commission should consider affording interim relief by temporarily modifying the allocation method as AT&T requests, U S WEST is not opposed to such consideration so long as whatever procedural vehicle used therefor does not delay the progress and completion of the permanent USF rulemaking or of any of the other major initiatives (e.g., access reform<sup>3</sup>) currently before the Commission.

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<sup>2</sup>Recommended Decision ¶ 4.

<sup>3</sup>See In the Matter of Reform of the Interstate Access Charge Rules, RM-8356, United States Telephone Association Petition for Rulemaking, filed Sep. 17, 1993.


CONCLUSION

For the reasons stated, U S WEST urges the Commission to consider AT&T's USF cost allocation and competitive equity concerns in the upcoming USF permanent rulemaking proceeding.

Respectfully submitted,

U S WEST COMMUNICATIONS, INC.

By:

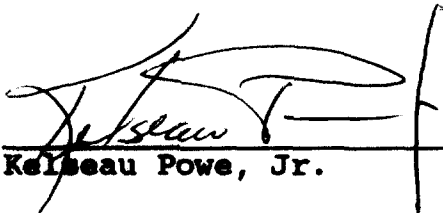
  
Laurie J. Bennett  
Suite 700  
1020 19th Street, N.W.  
Washington, DC 20036  
(303) 672-2763

Its Attorney

January 14, 1994

**CERTIFICATE OF SERVICE**

I, Kelseau Powe, Jr., do hereby certify that on this 14th day of January, 1994, I have caused a copy of the foregoing **STATEMENT** to be served via first-class United States Mail, postage prepaid, upon the persons listed on the attached service list.

  
Kelseau Powe, Jr.

---

**\*Via Hand-Delivery**

(RM0408/LB/lh)

**\*Kathleen B. Levitz**  
**Federal Communications Commission**  
**Room 518**  
**1919 M Street, N.W.**  
**Washington, DC 20554**

**\*Ruth Milkman**  
**Federal Communications Commission**  
**Room 544**  
**1919 M Street, N.W.**  
**Washington, DC 20554**

**\*Deborah A. Dupont**  
**Federal Communications Commission**  
**Room 257**  
**2000 L Street, N.W.**  
**Washington, DC 20036**

**\*Thomas C. Spavins**  
**Federal Communications Commission**  
**Room 500**  
**1919 M Street, N.W.**  
**Washington, DC 20554**

**\*Kenneth P. Moran**  
**Federal Communications Commission**  
**Room 812**  
**2000 L Street, N.W.**  
**Washington, DC 20036**

**\*Ann Stevens**  
**Federal Communications Commission**  
**Room 518**  
**1919 M Street, N.W.**  
**Washington, DC 20554**

**\*Robert Hall**  
**Federal Communications Commission**  
**Room 812**  
**2000 L Street, N.W.**  
**Washington, DC 20036**

**\*James H. Quello**  
**Federal Communications Commission**  
**Room 802**  
**1919 M Street, N.W.**  
**Washington, DC 20554**

**\*Gary Seigel**  
**Federal Communications Commission**  
**Room 812**  
**2000 L Street, N.W.**  
**Washington, DC 20036**

**\*Andrew C. Barrett**  
**Federal Communications Commission**  
**Room 826**  
**1919 M Street, N.W.**  
**Washington, DC 20554**

**\*Judith A. Nitsche**  
**Federal Communications Commission**  
**Room 518**  
**1919 M Street, N.W.**  
**Washington, DC 20554**

**\*International Transcription**  
**Services**  
**Suite 140**  
**2100 M Street, N.W.**  
**Washington, DC 20037**

**\*Ervin S. Duggan**  
**Federal Communications Commission**  
**Room 832**  
**1919 M Street, N.W.**  
**Washington, DC 20554**

**\*Carl D. Lawson**  
**Federal Communications Commission**  
**Room 616**  
**1919 M Street, N.W.**  
**Washington, DC 20554**

**\*Gregory J. Vogt**  
**Federal Communications Commission**  
**Room 518**  
**1919 M Street, N.W.**  
**Washington, DC 20554**

**\*James D. Schlichting**  
**Federal Communications Commission**  
**Room 544**  
**1919 M Street, N.W.**  
**Washington, DC 20554**

**\*Reed E. Hundt**  
**Federal Communications Commission**  
**Room 814**  
**1919 M Street, N.W.**  
**Washington, DC 20554**

**\*Policy and Program Planning**  
**Division**  
**Federal Communications Commission**  
**Room 544**  
**1919 M Street, N.W.**  
**Washington, DC 20554**

**\*Gerald P. Vaughan**  
**Federal Communications Commission**  
**Room 500**  
**1919 M Street, N.W.**  
**Washington, DC 20554**

**Gene Schaerr**  
**Sidley & Austin**  
**1722 Eye Street, N.W.**  
**Washington, D.C. 20006**

Floyd S. Keene  
Ameritech Operating Companies  
Room 4H74  
2000 West Ameritech Center Drive  
Hoffman Estates, IL 60196

James D. Heflinger  
Douglas W. Kinkoph  
LiTel Communications, Inc.  
4650 Lakehurst Court  
Dublin, OH 43017

Dean Evans  
California Public Utilities  
Commission  
California State Building  
505 Van Ness Avenue  
San Francisco, CA 94102-3298

Thomas McCabe  
Florida Public Service  
Commission  
Fletcher Building  
101 East Gaines Street  
Tallahassee, FL 32399-0851

Carl Hunt  
Colorado Public Utilities  
Commission  
1580 Logan Street  
Denver, CO 80203

Elton Calder  
Georgia Public Service  
Commission  
162 State Office Building  
244 Washington Street, S.W.  
Atlanta, GA 30334

Genevieve Morelli  
Competitive Telecommunications  
Association  
Suite 220  
1140 Connecticut Avenue, N.W.  
Washington, DC 20002

Peter A. Rohrbach  
Gerald E. Oberst, Jr.  
Hogan & Hartson  
555 13th Street, N.W.  
Washington, DC 20004

Francine J. Berry  
Robert J. McKee  
Peter H. Jacoby  
American Telephone and  
Telegraph Company  
Room 3244J1  
295 North Maple Avenue  
Basking Ridge, NJ 07920

Richard McKenna, W11115  
GTE Service Corporation  
P.O. Box 152092  
Irving, TX 75015-2092

Gail L. Polivy  
GTE Service Corporation  
Suite 1200  
1850 M Street, N.W.  
Washington, DC 20036

Joel B. Shifman  
Maine Public Utilities  
Commission  
State House Station #18  
Augusta, ME 04333

Dennis J. Nagel  
Sandra Makeeff  
Iowa Utilities Board  
Lucas State Office Building  
Des Moines, IA 50319

Donald J. Elardo  
MCI Telecommunications  
Corporation  
1801 Pennsylvania Avenue, N.W.  
Washington, DC 20006

Thomas L. Welch  
Bell Atlantic Telephone  
Companies  
1710 H Street, N.W.  
Washington, DC 20006

Angel M. Cartagena, Jr.  
Metromedia-ITT Long Distance  
1 Harmon Plaza  
Secaucus, NJ 07096

D. E. Van Laak  
Pacific Bell  
Room 1530-A  
140 New Montgomery Street  
San Francisco, CA 94105

Ronald Choura  
Michigan Public Service  
Commission  
6545 Mercantile Way  
Lansing, MI 48910

Joseph W. Miller  
WilTel  
Suite 3600  
P.O. Box 2400  
One Williams Center  
Tulsa, OK 74102

Paul Pederson  
Missouri Public Service  
Commission  
Harry S. Truman Building  
5th Floor  
P.O. Box 360  
Jefferson City, MO 65102



Richard A. Askoff  
National Exchange Carrier  
Association  
100 South Jefferson Road  
Whippany, NJ 07981

Diane Hockman  
Ohio Public Utilities  
Commission  
180 East Broad Street  
Columbus, OH 43266-0573

Michael P. Gallagher  
New Jersey Board of Public  
Utilities  
2 Gateway Center  
Newark, NJ 07102

Lisa M. Zaina  
OPASTCO  
Suite 700  
21 Dupont Circle, N.W.  
Washington, DC 20036

Fred Sistarenik  
New York Public Service  
Commission  
3 Empire State Plaza  
Albany, NY 12223

James L. Wurtz  
Pacific Bell  
1275 Pennsylvania Avenue, N.W.  
Washington, DC 20004

Mary Steel  
North Carolina Utilities  
Commission  
P.O. Box 29510  
Raleigh, NC 27626-0510

Robert Loube  
PUC - District of Columbia  
450 Fifth Street, N.W.  
Washington, DC 20001

Joseph Di Bella  
NYNEX Telephone Companies  
120 Bloomingdale Road  
White Plains, NY 10605

William B. Barfield  
Richard M. Sbaratta  
Rebecca M. Lough  
BellSouth Telecommunications, Inc.  
4300 Southern Bell Center  
675 West Peachtree Street, N.E.  
Atlanta, GA 30375

James E. Taylor  
J. Paul Walters  
Richard C. Hartgrove  
Southwestern Bell Telephone  
Company  
Room 3504  
One Bell Center  
St. Louis, MO 63101

Charles D. Gray  
National Association of  
Regulatory Utility  
Commissioners  
1102 ICC Building  
Constitution Ave. & 12 Street, N.W.  
Washington, DC 20044

Michael J. Shortley, III  
Rochester Telephone Corporation  
180 South Clinton Avenue  
Rochester, NY 14646

Thomas J. Moorman  
John Staurulakis, Inc.  
6315 Seabrook Road  
Seabrook, MD 20706

Andrew D. Lipman  
Russell M. Blau  
Swidler & Berlin  
3000 K Street, N.W.  
Washington, DC 20007

Rowland Curry  
Texas Public Utilities Commission  
Suite 400 North  
7800 Shoal Creek Blvd.  
Austin, TX 78757

David L. Cosson  
L. Marie Guillory  
National Telephone Cooperative  
Association  
2626 Pennsylvania Avenue, N.W.  
Washington, DC 20037

Martin T. McCue  
U.S. Telephone Association  
Suite 800  
900 19th Street, N.W.  
Washington, DC 20006-2105

John O'Neal  
National Rural Telecom Association  
Suite 1200  
1455 Pennsylvania Avenue, N.W.  
Washington, DC 20004

Leon M. Kestenbaum  
Sprint Communications Company,  
L.P.  
Suite 1100  
1850 M Street, N.W.  
Washington, DC 20036

Sharon L. Nelson  
Teresa Pitts  
Washington Utilities &  
Transportation Commission  
Chandler Plaza Building  
1300 South Evergreen Park  
Drive, S.W.  
Olympia, WA 98504-7250

Craig T. Smith  
P.O. Box 11315  
Kansas City, MO 64112

U&CTC

Michael Yourshaw  
William B. Baker  
Wiley, Rein & Fielding  
1776 K Street, N.W.  
Washington, DC 20006

David A. Irwin  
Michael G. Jones  
Irwin, Campbell & Crowe  
Suite 400  
1320 18th Street, N.W.  
Washington, DC 20036

ITC

Michael R. Wack  
Reed, Smith, Shaw & McClay  
1200 18th Street, N.W.  
Washington, DC 20036

VITC

Bill Warinner  
Frederick & Warinner  
Suite 450  
8400 West 110th Street  
Overland Park, KS 66210

Margot Smiley Humphrey  
Koteen & Naftalin  
Suite 1000  
1150 Connecticut Avenue, N.W.  
Washington, DC 20036

NRTA

Jerry M. Allen  
Century Telephone Enterprises, Inc.  
100 Century Park Drive  
Monroe, LA 71203

Jay C. Keithley  
Suite 1100  
1850 M Street, N.W.  
Washington, DC 20036

U&CTC

Charles Curtis  
Associated Communications &  
Research Services, Inc.  
817 N.E. 63rd Street  
Oklahoma City, OK 73105

Kathy L. Shobert  
General Communications, Inc.  
Suite 600  
888 16th Street, N.W.  
Washington, DC 20006

Donn T. Wonnell  
Pacific Telecom, Inc.  
805 Broadway  
Vancouver, WA 98668

Ellen S. Deutsch  
Citizens Utilities Company of  
California  
Suite C  
P.O. Box 340  
8920 Emerald Park Drive  
Elk Grove, CA 95759-0340

Lawrence P. Keller  
Cathey, Hutton & Associates, Inc.  
Suite 286  
3300 Holcomb Bridge Road  
Norcross, GA 30092

Robert R. Morris  
1290 Wood River Road  
Meeteetse, WY 82433

James R. Monk  
State of Indiana  
Room E306  
302 West Washington Street  
Indiana Government Center South  
Indianapolis, IN 46204

Mitchell F. Brecher VTDPs  
Donelan, Cleary, Wood & Maser, P.C.  
Suite 850  
1275 K Street, N.W.  
Washington, DC 20005-4078

Jan F. Reimers  
ICORE, Inc.  
Suite 303  
1541 Alta Drive  
Whitehall, PA 18052

William E. Wyrough, Jr.  
Florida PSC  
101 East Gaines Street  
Tallahassee, FL 32399

Darrell S. Townsley  
Illinois Commerce Commission  
Suite C-800  
160 North LaSalle Street  
Chicago, IL 60601

James U. Troup  
Arter & Hadden  
Suite 400  
1919 Pennsylvania Avenue, N.W.  
Washington, DC 20006

Robert F. Adkisson  
GVNW, Inc./Management  
2270 Law Montana Way  
Colorado Springs, CO 80918

Marc A. Stone  
Fred Williamson & Associates, Inc.  
Suite 200  
2921 East 91st Street  
Tulsa, OK 74137-3300

Lilo K. Schifter  
Amy Dean  
Maryland Public Service Commission  
6 St. Paul Centre  
Baltimore, MD 21202

Scott L. Smith  
Alaska Telephone Association  
Suite 304  
4341 B Street,  
Anchorage, AK 99503

Wayne E. Deeds  
Benton Ridge Telephone Company  
140 Main Street  
Benton Ridge, OH 45816

Thomas R. Minnich  
Matanuska Telephone Association,  
Inc.  
1740 South Chugach Street  
Palmer, AK 99645

Roy L. Morris  
Allnet Communication Services  
Inc.  
Suite 500  
1990 M Street, N.W.  
Washington, DC 20036

Donald L. Howell, II  
Idaho Public Utilities  
Commission  
472 West Washington Street  
Boise, ID 83702-5983

Sam Loudenslager  
Arkansas Public Service  
Commission  
P.O. Box C-400  
1000 Center Street  
Little Rock, AR 72203

Joe D. Edge  
Hopkins & Sutter  
888 16th Street, N.W.  
Washington, DC 20006

PRTC&PRCC

Andrew Rutnik  
Department of the Virgin Islands  
of the United States  
Public Services Commission  
P.O. Box 40  
Charlotte Amalie  
St. Thomas, Virgin Island 00801

National Exchange Carrier  
Association  
Suite 600  
2300 N Street, N.W.  
Washington, DC 20037

James U. Troup  
Arter & Hadden  
Suite 400  
1919 Pennsylvania Avenue, N.W.  
Washington, DC 20006

Joe D. Edge  
Hopkins & Sutter  
888 16th Street, N.W.  
Washington, DC 20006

PRTC&PRCC

Andrew Rutnik  
Department of the Virgin Islands  
of the United States  
Public Services Commission  
P.O. Box 40  
Charlotte Amalie  
St. Thomas, Virgin Island 00801

National Exchange Carrier  
Association  
Suite 600  
2300 N Street, N.W.  
Washington, DC 20037